

## CHAPTER 11

COMPONENT DEBT1101 GENERAL

110101 Purpose. This chapter prescribes the accounting principles and policy to be followed by DoD Components to account for debt incurred in accordance with statutory authority.

110102 Overview. Debt incurred by DoD Components is generally associated with housing programs determined to be necessary to carry out the Department of Defense's mission. Included are mortgage agreements accepted pursuant to the Family Housing Program and the Homeowners Assistance Fund. This chapter includes guidance to account for debt incurred to finance mortgages and illustrates the entries necessary to record transactions in these accounts.

A. FAMILY HOUSING PROGRAM

1. The Defense Family Housing Program provides housing for military families and for civilian families where circumstances requires the Department of Defense support this program by providing housing referral services, including administration of private rental housing for DoD personnel overseas; by leasing private housing for DoD personnel; or by guaranteeing service members' rental, mortgage and mortgage insurance payments on privately owned housing.

2. Guidance for financing the Family Housing Program is contained in Volume 2 of this Regulation, while guidance for accounting for funds made available for this program are contained in Volume 3.

B. HOMEOWNERS ASSISTANCE FUND

1. Under 42 U.S.C. 3374, the Secretary of Defense is authorized to provide assistance to owners of one or two family dwellings located at or near military installations

ordered to be closed in whole or in part. In certain instances, this assistance is rendered by acquiring negotiated title to the properties from such owners. Section d of the statute established the Homeowners Assistance Fund. Section g authorized the Secretary of Defense to enter into an agreement with the Secretary of Housing and Urban Development (HUD) with respect to the administration of the program. That agreement provided that, on the Department of Defense's behalf, HUD shall maintain, manage, and dispose of such properties acquired by the DoD and be reimbursed for all costs incurred in its administration. That agreement was terminated as of January 1, 1993. Since that date, all properties acquired are managed and disposed of by the Army Corps of Engineers.

2. The Chief of Engineers, Department of the Army Corps of Engineers, is responsible for obtaining title to the properties and for administration. The Chief of Engineers also is responsible for negotiating the Department of Defense's acquisition price with the property owner.

3. Funding for this program is through annual appropriations made available by the Congress.

4. DoD Directive 4165.50, "Home-owners Assistance Program," provides overall policy guidance and information on the program.

1102 ACCOUNTING POLICY FOR DEBT

110201 The accounting policy for properties acquired under both the Family Housing Assistance Program and the Homeowners Assistance Program are the same as those for real property discussed in Chapter 6 of this Volume. The accounting policy for the liabilities incurred under both programs are discussed in the following paragraphs.

110202 The liability for amounts owed on housing acquired under the two programs shall be equal to (1) borrowings from other Federal Agencies and the public to construct or acquire the properties, or (2) the mortgages assumed when title passes to the Department of Defense.

110203 The balance of the mortgages payable shall be reduced by that portion of the periodic payments made which represent the mortgage principal.

110204 Liabilities for borrowings from other Federal Agencies and non-federal organizations shall be recorded at the amounts actually obtained. Amounts paid to financial organizations to obtain the borrowings shall be treated as a current period operating expense.

#### 1103 ACCOUNTING FOR DEBT

110301 The accounts used to account for Department of Defense debt are described in the following paragraphs.

##### 110302 Debt (Account 2500)

A. This is a summary account used to record DoD's liability in the form of notes payable and other borrowing agreements.

B. This account is a summary account used for financial reporting and control purposes. Do not post entries to this account.

##### 110303 Borrowing From Treasury (Account 2510)

A. "Borrowing From Treasury" is used to record amounts borrowed from the Treasury.

B. At the current time, no DoD Component is authorized to enter into borrowing agreements with the Treasury. Accordingly, this account shall not be used by DoD Components.

##### 110304 Borrowing From Federal Financing Bank (Account 2520)

A. "Borrowing From Federal Financing Bank" is used to record amounts borrowed from Federal Financing Banks.

B. Since no DoD Component is authorized to borrow from a Federal Financing Bank, use of this account is not authorized.

##### 110305 Securities Issued by Federal Agencies Under Special Financing Authority (Account 2530)

A. "Securities Issued by Federal Agencies Under Special Financing Authority" is used to record the liability arising from issuing new borrowings authorized under special financing authorities.

B. Since no DoD Component is authorized special financing authority to conduct programs, use of this account is not authorized.

##### 110306 Participation Certificates (Account 2540)

A. "Participation Certificates" is used to record a DoD Component's liability for its share of participation certificates issued pursuant to legislative authority.

B. Since no DoD Component is authorized to issue such certificates or to participate in the issuance of such certificates, use of this account is not authorized.

##### 110307 Other Debt (Account 2590)

A. "Other Debt" is used to account for all other forms of Department of Defense liabilities, secured and unsecured, not otherwise classified above.

B. This account is a summary account used for financial accounting and control purposes. No transactions are posted to this account.

**110308 Mortgages Payable-Family Housing  
(Account 2591)**

A. "Mortgages Payable-Family Housing" represents the liability for outstanding mortgage balances on family housing properties owned by the DoD. The account is supported by subsidiary records for each outstanding mortgage.

B. Table 11-1 illustrates the most common entries used for this account.

C. Sources for entries to this account include titles, mortgage agreements, and disbursement vouchers.

**110309 Mortgages Payable-Homeowners Assistance Program (Account 2592)**

A. "Mortgages Payable-Homeowners Assistance Program" is used to record the out

standing balances of mortgages acquired by the Department of Defense on homes purchased under the provisions of the Homeowners Assistance Program.

B. This account shall be used by the Corps of Engineers to account for home mortgages acquired by the Chief of Engineer.

C. The account shall be increased for major repairs incurred to maintain the properties and put them in condition for resale. Costs not considered major shall be treated as a current period operating expense.

D. Table 11-2 illustrates the most common entries used for this account.

E. Sources for entries to this account include titles, purchase agreements, sales agreements, collection vouchers, and journal vouchers with supporting documentation computing the amount of the loss or gain on disposition.

**ACCOUNTING ENTRIES FOR ACCOUNT 2591 -  
MORTGAGES PAYABLE-FAMILY HOUSING**

1. Dr 1591 Other Related Property  
Cr 2591 Mortgages Payable-Family Housing

To record the mortgage liability assumed by the Department of Defense.

2. Dr 2591 Mortgages Payable-Family Housing  
Cr 1012 Funds Disbursed

To record periodic mortgage payments.

**TABLE 11-1**

**ACCOUNTING ENTRIES FOR ACCOUNT 2592 -  
MORTGAGES PAYABLE-HOMEOWNERS ASSISTANCE PROGRAM**

1. Dr 1591 Other Related Property  
    Cr 2592 Mortgages Payable-Homeowners Assistance Program  
  
    To record mortgages acquired under the Homeowners Assistance Program.
2. Dr 2592 Mortgages Payable-Homeowners Assistance Program  
    Cr 1012 Funds Disbursed  
  
    To record principal payments on mortgages.
3. Dr 1011 Funds Collected  
    Dr 2592 Mortgages Payable-Homeowners Assistance Program  
    Dr 7210 Losses on Disposition of Assets  
        Cr 1591 Other Related Property  
  
    To record sale of home at a loss.
4. Dr 1011 Funds Collected  
    Dr 2592 Mortgages Payable-Homeowners Assistance Program  
        Cr 1591 Other Related Property  
        Cr 7110 Gains on Disposition of Assets  
  
    To record sale of home at a gain.

**TABLE 11-2**

ACCOUNT NO. 2500	
DEBT	
<b>DESCRIPTION:</b> Represents the DoD liability in the form of notes payable and other borrowing agreements.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 11-1	

ACCOUNT NO. 2510	
BORROWING FROM TREASURY	
<b>DESCRIPTION:</b> Represents amounts borrowed from the Treasury by DoD Components.	
DEBIT	CREDIT
<p>Do not use this account without prior approval  of the Office of the Deputy Under Secretary of Defense  (Comptroller/Financial Management)/  Deputy Chief Financial Officer</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-2	

ACCOUNT NO. 2520	
BORROWING FROM FEDERAL FINANCING BANK	
<b>DESCRIPTION:</b> Represents amounts borrowed from Federal Financing Banks.	
DEBIT	CREDIT
<p>DoD Components do not have authority to borrow funds from Federal Financing Banks</p> <p>Use of this account is not authorized</p>	
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 11-3	

ACCOUNT NO. 2530	
SECURITIES ISSUED BY FEDERAL AGENCIES UNDER SPECIAL FINANCING AUTHORITY	
<b>DESCRIPTION:</b> Represents the liability arising from issuing new borrowing authorized under special financing authorities.	
DEBIT	CREDIT
<p>DoD Components do not have authority to issue new borrowings authorized under special financing authorities</p> <p>Use of this account is not authorized</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-4	



ACCOUNT NO. 2540	
PARTICIPATION CERTIFICATES	
<b>DESCRIPTION:</b> Represents the Department of Defense's share of participation certificates issued pursuant to legislative authority.	
DEBIT	CREDIT
<p>DoD Components do not have authority to issue new borrowings authorized under special financing authorities</p> <p>Use of this account is not authorized</p>	
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 11-5	

ACCOUNT NO. 2590	
OTHER DEBT	
<b>DESCRIPTION:</b> Represents all other forms of DoD obligations, secured and unsecured, not otherwise classified to another liability account.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: CREDIT	
FIGURE 11-6	

ACCOUNT NO. 2591	
MORTGAGES PAYABLE - FAMILY HOUSING	
<b>DESCRIPTION:</b> Represents the liability for outstanding mortgage balances on family housing properties owned by the Department of Defense.	
DEBIT	CREDIT
1. Periodic mortgage payments. Contra: 1012	1. Record the mortgage liability assumed by the Department of Defense. Contra: 1591
NORMAL BALANCE: CREDIT	
FIGURE 11-7	

ACCOUNT NO. 2592	
MORTGAGES PAYABLE - HOMEOWNERS ASSISTANCE PROGRAM	
<b>DESCRIPTION:</b> Represents the outstanding balances of mortgages assumed by the Department of Defense on homes acquired under the provisions of the Homeowners Assistance Program.	
DEBIT	CREDIT
1. Record periodic payments of principal. Contra: 1012  2. Record sale of a home at a loss. Contra: 1591  3. Record sale of a home at a gain Contra: 1591, and 7110	1. Record mortgage assumption. Contra: 1591
<b>NORMAL BALANCE:</b> CREDIT	
FIGURE 11-8	